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Attorneys for the Debtors and Debtors in Possession

Attorneys for the Official Committee of Unsecured Creditors of Solutia Inc., et al.

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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	:	
In re:	:	Chapter 11
	:	
SOLUTIA INC., <u>et al.</u> ,	:	Case No. 03-17949 (PCB)
	:	
Debtors.	:	(Jointly Administered)
-----X	:	

**JOINT DESIGNATION OF ITEMS TO BE INCLUDED IN RECORD OF
CROSS-APPEAL AND STATEMENT OF ISSUES PRESENTED**

Pursuant to Federal Rule of Bankruptcy Procedure 8006, Solutia Inc. (“Solutia”) and certain of its subsidiaries and affiliates in the above-referenced chapter 11 cases (collectively, the “Debtors”) and the Official Committee of Unsecured Creditors of Solutia Inc., *et al.* (the “Creditors’ Committee,” and together with the Debtors, the “Cross-Appellants”), by and through their undersigned counsel, respectfully designate the following items to be included in the record on cross-appeal from this Court’s Final Order Granting Partial Summary Judgment in Favor of the Debtors and the Creditors’ Committee Regarding the Debtors’ Objection to Claim No. 6210 Filed by The Bank of New York as Indenture Trustee for the 2009 Noteholders dated November 26, 2007 [**Docket No. 4393**] (the “Order”). The cross-appeal encompasses all other orders

rendered appealable thereby, including the Memorandum Decision on Joint Motion for Partial Summary Judgment with Respect to Claim No. 6210 (11.25% Senior Secured Notes) issued on November 9, 2007 [**Docket No. 4307**] (the “Memorandum Decision”), as modified by the errata order entered on November 21, 2007 [**Docket No. 4356**].

Designation of Items to be Included in the Record on Cross-Appeal

The Cross-Appellants designate by reference the items listed in the Statement of Issues and Designation of Record on Appeal filed by The Bank of New York (the “2009 Indenture Trustee”) [**Docket No. 4483**] and the Appellees’ Designation of Additional Items for the Record on Appeal [**Docket Nos. 4514-4516**]. The Cross-Appellants also designate the following documents:

1. Motion of the Official Committee of Unsecured Creditors for Application of Certain Post-Petition Payments Made to the 2009 Indenture Trustee on Behalf of the 2009 Noteholders in Reduction of the Principal Amount of the 2009 Noteholders’ Claim [**Docket No. 4403**].
2. Memorandum of Law in Support of the Motion of the Official Committee of Unsecured Creditors for Application of Certain Post-Petition Payments Made to the 2009 Indenture Trustee on Behalf of the 2009 Noteholders in Reduction of the Principal Amount of the 2009 Noteholders’ Claim [**Docket No. 4405**].
3. Objection of The Bank of New York, as Indenture Trustee for the Senior Secured Notes, to Motion of the Official Committee of Unsecured Creditors for Application of Certain Post-Petition Payments Made to the 2009 Indenture Trustee on Behalf of the 2009 Noteholders in Reduction of the Principal Amount of the 2009 Noteholders’ Claim [**Docket No. 4464**].
4. Memorandum of Law in Support of Objection of The Bank of New York, as Indenture Trustee for the Senior Secured Notes, to Motion of the Official Committee of Unsecured Creditors for Application of Certain Post-Petition Payments Made to the 2009 Indenture Trustee on Behalf of the 2009 Noteholders in Reduction of the Principal Amount of the 2009 Noteholders’ Claim [**Docket No. 4465**].
5. Reply to the Objection of The Bank of New York, as Indenture Trustee for the Senior Secured Notes, to Motion of the Official Committee of Unsecured Creditors for Application of Certain Post-Petition Payments Made to the 2009 Indenture Trustee on Behalf of the 2009 Noteholders in Reduction of the Principal Amount of the 2009 Noteholders’ Claim [**Docket No. 4473**].
6. Solutia’s Joinder to Motion of the Official Committee of Unsecured Creditors for Application of Certain Post-Petition Payments Made to the 2009 Indenture

Trustee on Behalf of the 2009 Noteholders in Reduction of the Principal Amount of the 2009 Noteholders' Claim [**Docket No. 4474**].

7. Sur-Reply of The Bank of New York, as Indenture Trustee, to Reply to the Objection of The Bank of New York, as Indenture Trustee for the Senior Secured Notes, to Motion of the Official Committee of Unsecured Creditors for Application of Certain Post-Petition Payments Made to the 2009 Indenture Trustee on Behalf of the 2009 Noteholders in Reduction of the Principal Amount of the 2009 Noteholders' Claim [**Docket No. 4477**].
8. Notice of Cross-Appeal dated December 10, 2007 [**Docket No. 4479**].
9. Notice of Cross-Appeal dated December 10, 2007 [**Docket No. 4480**].
10. Transcript of Hearing held on 12/10/07 [**Attached hereto as Exhibit A**].
11. Order Denying Motion of the Official Committee of Unsecured Creditors for Application of Certain Post-Petition Payments Made to the 2009 Indenture Trustee on Behalf of the 2009 Noteholders in Reduction of the Principal Amount of the 2009 Noteholders' Claim [**Docket No. 4512**].

Statement of Issues on Cross-Appeal

On November 27, 2007, the Creditors' Committee filed a motion in the Bankruptcy Court, joined by the Debtors, for Application of Certain Post-Petition Payments Made to the 2009 Indenture Trustee on Behalf of the 2009 Noteholders in Reduction of the Principal Amount of the 2009 Noteholders' Claim (the "Post-Petition Interest Motion"). The Post-Petition Interest Motion sought a determination by the Bankruptcy Court as to whether the 2009 Noteholders are receiving and will continue to receive more than the amount of post-petition cash interest payments than the 2009 Noteholders are entitled under 11 U.S.C. § 506(b), in light of the Bankruptcy Court's findings in the Order and Memorandum Decision regarding the allowed amount of the 2009 Noteholders' claim that are the subject of the 2009 Indenture Trustee's appeal. At the December 10, 2007 hearing on the Post-Petition Interest Motion, the Bankruptcy Court opined that the parties had stipulated on the record to the amount of post-petition cash

interest payments due to the 2009 Noteholders, and that this stipulation was reflected in the Court's Order and Memorandum Decision. Cross-Appellants do not agree that the parties made such a stipulation or that the Order or Memorandum Decision reflect such a stipulation or address the issue of post-petition cash interest. Accordingly, Cross-Appellants now file this protective cross-appeal to resolve the following issues:

1. Whether the Bankruptcy Court, in the Memorandum Decision and/or Order, determined the proper amount of post-petition cash interest payments to which the 2009 Noteholders are entitled under 11 U.S.C. § 506(b), as the Court indicated on the record at the December 10, 2007 hearing on Cross-Appellants' Motion?
2. If so, whether the Bankruptcy Court erred in finding that the 2009 Noteholders are entitled to receive an amount of post-petition interest that exceeds the amount due under 11 U.S.C. § 506(b)?

Dated: New York, New York
December 20, 2007

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